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Accounting for Turnover: Retention in Gib Five Firms

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Senior Project

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Purpose

"Our profession has always had high turnover and we have lived with that. We simply hired a lot of talent at the entry level and let turnover take its toll. . ." This honest opinion expressed by former Coopers & Lybrand chairman Nicholas Moore has been an accurate picture of the retention success of each of the Big Five accounting firms. Only in recent years have the accounting industry's leaders made a concerted effort to reduce the costs of high attrition by promoting retention efforts. Yet, with turnover rates hovering at over 25% annually, the Big Five accounting firms still have much room for improvement. This paper will address how the costs of turnover can be reduced by providing more competitive salary, encouraging work/life balance, and assigning more meaningful work responsibilities.

Definition of the Problem

As an intern with Ernst & Young, this writer witnessed the detriments of high turnover first-hand. During this writer's four-month internship in the Nashville office, five employees from the tax department (consisting of approximately 35 professionals) handed in their resignations. Of those, three left to work in the private sector, one left to work in a small CPA office, and one took a job with another Big Five firm. From discussions with other interns, this rapid turnover sadly is not unique to Ernst & Young, particularly immediately prior to busy season.

Losing members of the team is extremely disruptive. One of the afore mentioned employees was one of five professionals who was assigned to work with this writer in preparing the partnership tax returns for Columbia HCA. This employee left the firm half way through the engagement, leaving the team shorthanded. Due to the other employee losses in the office, management was unable to assign another professional to the Columbia HCA engagement. As a result, the writer and her coworkers were asked to work another ten hours a week to compensate for the loss. This writer's point for sharing this experience, is to demonstrate that turnover is a very real problem in public accounting. It is a problem that eventually touches each employee, and as a result tends to mushroom in its effect.

High attrition is an illness that plagues public accounting, particularly in the staff through senior ranks [Appendix A]. A large cause of this problem is that few individuals who enter the public accounting profession have the intention of it being a long term career choice. Rather, young accountants often hope to build up their resume by gaining experience with a Big Five accounting firm. They plan to pursue a career in management accounting, and have been told experience with an elite accounting firm will make them more marketable. An Ernst & Young senior who had spoken with a head hunter was told, "potential accounting recruits are placed in two stacks: those with Big Five experience and those without." Typically, young accountants believe a tenure of three or more years with a Big Five firm will provide the desired level of experience. This belief partially explains the high level of turnover at the senior level.

Assuming the Big Five firms recognize the dilemma which they face in retaining their employees, they must develop a plan of action to defray the costs of high turnover. If the Big Five wish to prevent their employees from leaving, they must provide a career package worth staying for. The reality, however, is that the job itself is a contributing factor to the high attrition. The pressure-filled environment accompanied by long hours has caused many CPAs to burn out early. The Big Five firms should begin their quest for better retention by taking a holistic view of the costs of high turnover.

Costs of Turnover

Turnover costs American businesses billions of dollars a year. It is the most costly and least understood of all phenomena working against productivity, efficiency, and ultimately profits. Businesses often analyze turnover costs only in terms of actual expenses associated with terminations (Peskin, 68). These costs include various forms of severance pay, excess unemployment insurance, recruitment costs or agency fees, travel and moving costs, and the like. These figures are incomplete because calculations of production losses and client dissatisfaction are not included; nor are extra costs of replacement, such as higher salary level for new employees.

Many firms have not yet been motivated to devise reliable methods of assessing the costs of losing its human resources for several reasons. One is that turnover figures are not made part of the profit and loss statement. Another is that they are generally not included in the criteria upon which managerial performance is based. Moreover, available turnover statistics are often so insufficient that the firm has difficulty discerning the problem (Peskin, 68). Because firm leaders often demand "real" numbers and facts for problem solving and decision making, creative efforts to explore the question of turnover are frequently stifled.

Wayne Cascio, a human resources expert, provides a model for computing the costs of turnover which employs three major categories of costs:

1. Separation costs: exit interviews, administrative functions related to terminations, separation pay, and unemployment tax
2. Replacement costs: communicating job availability, preemployment administrative functions, entrance interview, staff meetings, postemployment acquisition and dissemination of information, and contracted medical examinations
3. Training costs: information literature, instruction in a formal training program, and instruction by employee assignment.

Other experts add on to this model by suggesting managers account for productivity losses as new employees climb the learning curve (Peskin, 74). Firms should make an effort to evaluate the true sum of these expenses to ascertain accurate figures for the firm's turnover expenses. Using a similar model, Deloitte & Touche estimates the cost of replacing an employee to be conservatively stated at 150% of their average annual compensation (*Initiative for the Retention and Advancement of Women, 1997 Annual Report*).

The costs of high attrition go beyond the dollars, as clients become less tolerant of excessive turnover. Turnover interferes with client operations due to the need to familiarize new employees with company operation. Clients question the quality of service they receive from unfamiliar professionals. They are becoming increasingly unwilling to pay for training time when inexperienced professionals are assigned to their jobs (Hooks, Thomas, & Stout, 18). Furthermore, as the Big Six accounting firms downsize to operate with fewer professionals, the specific knowledge and experience of each individual becomes more critical (Hooks, Thomas, & Stout, 18). Former Coopers & Lybrand Chairman, Nicholas Moore has said, "As we move to a new staffing model, one in which we hire fewer people in accordance with reduced needs, we obviously need to do a much better job retaining the best people" (Hooks, 52).

There are also intangible factors of turnover caused by the depressing effect that turnover has on morale of those remaining. Employees who work as a team learn to work effectively together. Over time they develop common interests, goals, and values. The unification of the group is intensified by job-related pressures, shared achievements, and pride. Thus, when turnover strikes a team, one should expect a loss of production due to "team-breaking" (Peskin, 77).

Steps to Reducing Turnover

Cost Interpretation

A key step in responding to the problem of turnover is measuring its scope and intensity. This is most effectively accomplished by calculating the cost of turnover to the company in dollars. Once cost date is assembled it should be presented to top management with a clear explanation of all assumptions and limitations. There are many ways of analyzing and utilizing these cost figures, including the following:

1. Rank department/office locations from highest to lowest in turnover rate each quarter, and note the repeaters.
2. Determine what changes in normal routine took place during the quarter or earlier that may have contributed to the turnover.
3. Compare turnover rates to the rate of company hiring, to see if there is a correlation between the two.
4. Determine which department/office location rates fluctuate similarly to the rate of the overall firm. These may serve as forecast indicators.
5. Project an annual turnover rate.(Peskin, 72).

It is suggested that human resource personnel present the problem to top managers in terms which will grab their attention. For instance, "the number of people who left the firm this quarter was equal to one-fourth of our current total of employees. The cost of terminations exceeded the combined profits of our Nashville and Charlotte offices." Once management has isolated areas where costs and turnover are highest, they can begin to brainstorm feasible ways to improve retention.

Support for Retention by the CEO

It is key that mid-level management feel the firm has a commitment to improving retention. The actions of the CEO are the most viable way of sending the message of top management. Ernst & Young Chairman Philip Laskaway said, "management communication styles traditionally attributed to retention are important ingredients for a team's success in meeting the needs of our clients" (Hooks, 51).

CEO's are encouraged to formally announce a reduction of turnover as a key corporate objective for the year. They should clearly define the expectations they have for each office location and provide mid-level management with all available data on the firm's current turnover figures (Peskin, 142). By providing sufficient expectations and information, the firm's leaders can empower their management teams to find ways of improving their office's retention. Beyond verbal support for retention, office management should receive monetary incentives. By incorporating the retention of valuable employees into the performance evaluation, mid-level management will have a vested interest in decreasing turnover.

The CEO's message should be further disseminated throughout the ranks of the firm. Staff level employees receive encouragement by the firm's willingness to concede in various areas to make the working environment better suited to their needs. "The tone set by [Deloitte & Touche chairman] Mike Cook at the top of our firm certainly has helped out my career," says Ann Marie Whalen, a partner in Deloitte's Hartford, Connecticut office (Hooks, 52).

More Effective Recruiting

Firms have made strides in retention by giving future employees a realistic view of what a career in public accounting demands. According to CPA Robert Half, "the indisputable fact is that good retention begins with good selection" (36). If potential employees are given a full and accurate description of the scope and responsibilities of the position, they are unlikely to encounter unpleasant surprises once they begin to work for the firm. CPA Michael Goldstein said, "we create unrealistic expectations of fulfilling work and advancement beyond the aspiration of the employee. We should be 'telling it like it is'" (16). It is important to tell a prospective employee about a profession and firm that exists, not a picture the recruiters may have developed.

Internships

In recent years the popularity of public accounting internships has risen dramatically. Senior-year students are given an opportunity to work alongside Big Five accountants for nearly four months. The internship is, in a sense, an extended office visit. Interns have time to become acquainted with a firm's corporate culture while performing the duties of public accountants. Public accounting internships occur during the heart of busy season, providing interns a first-hand view of public accounting's long hours.

According to a recent *Wall Street Journal* article, today's business internships go beyond filing. In the past, "many interns spent their time on clerical tasks and grunt research. But as the job market shrinks, some companies are trying to entice future recruits with ever more interesting internships" (White). These "supercharged" internships also provide employers a chance to see recruits in action. Ernst & Young senior manager, Jeff Drummonds said, "nearly 60% of our new hires now come from our intern program" (Personal Interview, April 28, 1998). Internship programs grant Big Five firm leaders a greater sense of security, by providing recruits who have a clear, realistic view of their potential jobs.

Behavioral Surveys

In addition to promoting internship programs, firms can benefit by giving potential employees surveys which identify their sources of job-related discomfort and frustration (Madera, 48). Survey results indicate that employees' negative emotional reactions to job situations often predict voluntary turnover (Adorno). Typical personality surveys often fail to screen potential quitters, because recruits are often not truthful. Eager job seekers ignore the negative content of the job during the application process, and later, the negative job content becomes instrumental in their decision to quit.

A newly developed process, called Job Congruence Screening (JCS), identifies those job seekers who are likely to quit by reducing their ability to distort their responses on survey questions. Recruits complete a "forced-choice" inventory which contains four items called "tetrads." Potential employees must choose the two items of the tetrad which are the most unpleasant to them. Two of the items describe situations that exist within public accounting, while the other two do not. The descriptions are written generally, so that applicants can not differentiate between the two (Adorno). By utilizing these behavioral tests, firms can fill their positions with people who are more likely to withstand the pressures inherent to the public accounting working environment.

Educational Development

A recent survey found that increasing employees' investment in their firm (through educational development) can positively influence retention levels (Discenzna & Gardner, 36). High-investment employees are likely to have greater loyalty and be more likely to add value to their firms. Training intended for senior or long-term employees requires commitment in two areas: skill retention and skill engagement. Accounting professional must continually upgrade their skills or risk professional obsolescence. Employees should be encouraged to identify their own educational tools (e.g. participation in professional societies and continuing educational programs at local universities).

Providing strong educational programs can, however, prove to be a "Catch-22" for the firm's leadership. High turnover makes recouping training investments increasingly difficult. Retaining experienced public accountants is especially difficult due to the headhunters who are also constantly looking to place experienced professionals. A cynic (or perhaps a realist) would note that the Big Five firms may be paying the educational expenses of their workforce's next employer. However, to remain competitive, Big Five firms must make the gamble. For those who remain, the investment will be repaid ten-fold.

More Meaningful Work

A key means of reducing turnover involves evaluating what makes the work itself undesirable. Like any profession, a public accountant is called to do tasks that are not necessarily enjoyable. These tasks may include monotonous footing of columns, shuffling through piles of personal expenses to detect potential tax deductions, and the like. Such tasks may persist well beyond a day or two and may extend for weeks. Accountants who choose to work for a Big Five firm often do so with the expectation of being exposed to important clients who have cutting edge accounting issues. As such, tedious tasks are particularly disappointing.

Big Five accounting firms should consider investing more resources in hiring administrative staff. A case could be made for instituting a para-accountant position. These employees, who would not necessarily have a four-year college education, could assist CPAs with entering numbers in spreadsheets and footing long columns. creating such a position could free up young staff accountants for more meaningful work.

Naturally, there is grunt work to be done; and, there is something to be said for people paying their dues. However, if managers wish to lower their office's attrition they should regularly review the apportionment of assignments to make certain that the more interesting work is not being assigned to just a few.

Realistic Engagement Budget and Staffing

A 1995 survey of Big Five accounting staff accountants found that "the two changes staff wanted most were the proper staffing of engagements and the establishment of realistic time budgets and deadlines" (Hermanson, et al, 40) [Appendix B]. Client budgets and staffing are often unrealistic because they are frequently based upon the prior year's reported results, rather than actual numbers. These results are misleading because staff accountants are often asked to "eat time" in order to maintain the engagement budget (Madera, 48). As reflected in the afore mentioned survey, this means of budget control magnifies the problem of poor morale because the staff accountant receives neither recognition or compensation for his/her work.

Perhaps Big Five accounting firms have stretched their resources too thinly. Firms are making definite efforts to streamline their staffs by scaling back their entry level hiring. For instance, where KPMG Peat Marwick hired 2,300 graduates in 1993 and 1,600 in 194 they plan to annually hire only 800-1,000 in the future (Nelson, 301). These scalebacks have led to a current shortage of mid and senior level personnel (Foreign Data Base Skills in High Demand in '98). As a result, staff accountants are being forced to pick up the slack.

Work/Life Balance

The most commonly expressed complaint heard about public accounting is the unreasonable hours. While often seasonable, Big Five staff accountants can expect to put in up to 100 hours per week during busy season. A former Ernst & Young employee reported, "hours at my office were terrible. The earliest I got out was at 8:00 p.m. and most of the time much later. I worked most Saturdays and often on Sundays too" (*Vault Reports*).

Today's workforce is placing an increased level of importance on life balance. In 1997, 68% of MBA students at the 20-top rated schools in the U.S. and Canada agreed that "my family will always be more important than my career" (Ernst & Young). In fact, the majority of the workforce is willing to take a reduction in salary in order to have more time outside the office. In a recent survey of Big Five accountants, 52% described their leisure time as much less than adequate. Forty-one percent described their leisure time as somewhat less than adequate. Not surprisingly, research shows that accountants in industry often left public accounting hoping for a more balanced lifestyle (Hooks, Thomas & Stout, 39).

In an attempt to meet the needs of their workforce, Big Five firms are offering employees greater flexibility in setting their work schedules. Former Price Waterhouse Chairman James Shiro says, "the public accounting environment is a demanding one and we can't change that. But we can provide our people with more flexibility at various points during their careers to help balance parental and other personal demands" (Hooks, 52). The Big Five firms now offer a variety of family-related incentives like adoption assistance and child care during busy season. The most discussed initiative is the firm's move to offer flexible working arrangements.

Flexible Working Arrangements

Flexible working arrangements (FWAs) allow employees to alter their work schedules to suit their needs. Some may choose to work four day weeks, by working ten hours a day. Others have arranged to work a particular number of hours a year. These employees do not have a predetermined schedule. Rather, they may work extensive overtime hours during busy season and then have an extended leave during a slower time.

There is a growing trend for companies to offer flexible work arrangements. Of 1,000 major U.S. employers, 67% of employers offer FWAs in 1995, up from 54% in 1990 (Ernst & Young). FWAs have proven to be extremely effective in the general business sector. Indeed, of 800 organizations participating in *Mercer's 1996 Work/Life and Diversity Initiatives Benchmarking Survey*, 76% reported that flexible scheduling is the single most important work/life program. FWAs can serve to reduce potential distractions at work. Studies show that for 60% of men and 68% of women employees, "work goals are affected by family concerns" (Ernst & Young). Giving people more time to address these concerns can cut down on the negative effects they have at work. Providing employees the flexibility to balance their lives has been a proven means to reduce turnover. Among 2 employers participating in a national study on flexible time, 64% reported reduced turnover three years after implementing FWAs (Ernst & Young).

Public accounting firms have embraced the idea of flex time, and employees are beginning to respond. Initially, professionals were concerned about the career implications of requesting an FWA. Firms had to demonstrate that employees would not be penalized for accepting the firm's offer of flexibility. Six percent of Ernst & Young's workforce is currently on an FWA. Firm statistics show these employees have been promoted at the same rate as those working typical hours. These programs are saving firms a great deal of money, by preventing turnover. Of those using FWAs at Ernst & Young, 65% report they would quit if they didn't have an FWA option (*All Things Considered*). Likewise, 89% of client service professionals using an FWA at Deloitte & Touche say they would have otherwise left the firm (*Initiative for the Retention and Advancement of Women, 1997 Annual Report*).

As firms continue to develop their FWA programs, they must be cautious of a few potential roadblocks. Flex time has largely been considered a program developed to improve the retention of women. Arthur Andersen chairman Lawrence Weinbach said, "more women professionals shoulder the parenting responsibilities than their male peers. This is at the heart of the retention issue" (Hooks, 54). While this may be greeted with thunderous applause from female employees, this attitude may provoke an unintended back-lash from male professionals. Firms must be careful not to alienate male employees in an effort to accommodate females. Former Price Waterhouse chairman James Shiro puts a healthy spin on the situation by saying, "while women may initiate much of the discussion about balancing work and family demands, men benefit just as much from the resulting programs and initiatives" (Hooks, 54).

Firms must also closely monitor the progression of flex time arrangements, from both an individual and firm-wide perspective. Mid-level management must become adept at communicating their expectations to those on FWAs. They must convey the importance of two-way flexibility; that is, employees on flex time must be willing to meet the demands of client needs. "You have to be flexible and willing to go the extra mile to switch your schedule around if that's what's called for to serve a client," says Julie Kitchen an Arthur Andersen audit manager who's on a FWA (Hooks, 56). From a firm-wide perspective, special attention should be given to ensure the team nature of the firm is not reduced by diminished interaction between 9-5.

Salary

As obvious as it may seem, Big Five firms must reevaluate the importance of providing their workforce competitive wages. A former KPMG Peat Marwick accountant is quoted as saying, "I ended up leaving the firm because of low pay, otherwise I would have stayed" (*Vault Reports*). Firms need to evaluate their compensation packages to see if they are comparable to the offerings of not only other Big Five firms; but also to those of the private sector. Most people who leave public accounting do so to enter management accounting. At many management levels, private accountants find higher earning potential than public accountants.

While the monetary element of one's salary is important, a person's salary is also perceived as a reflection of the value he/she brings to the firm. As such, the Big Five accounting firms must create compensation plans which are more closely tied to individual achievement and performance. Compensation plans and incentive programs must be tailored to meet the specific needs of each employee.

The Big Five accounting firms typically use a compensation scheme which involves periodic pay raises tied to an employee's annual performance review. However, the difference in pay raises given to average and top performers is often minute. The result may be salary increases that disappoint a firm's most valued employee. It has been said that "not receiving a reward one had expected to receive is indistinguishable from being punished" (Jeffords, Scheidt, & Thibadoux).

Many firms' payroll guidelines permit substantial raises only in conjunction with a climb in the firm's hierarchy. When such a policy exists, experts recommend broadening pay bands for each position or job level so top performers can be properly compensated without promoting them too rapidly (Jeffords, Scheidt, & Thibadoux). This technique, referred to as broadbanding, helps ensure key employees remain motivated despite not receiving a change in title.

Another available alternative is to incorporate the value an employee adds to the firm into his/her pay. The employee receives a "base pay" component which is based on the firm's traditional compensation policies. The remaining portion of an employee's paycheck is variable; however, depending on the professional's contributions to the goals and objectives of the firm (Jeffords, Scheidt, & Thibadoux). The variable portion should increase as an employee is with the firm longer. The accountants tenure would presumably provide them further opportunities to become involved in managing engagements and acquiring new clients. Economic valued added compensation provides a mechanism for firms to more effectively link salary and performance.

Monetary incentives provide the greatest motivation to younger workers. As such, allowing senior staff members to grant special monetary awards to deserving young staffers may promote better job satisfaction and performance. When monetary incentives are received, employees will attempt to increase their output to justify the additional money. As such, the money serves as a temporary motivator, but the stimulus is relatively short-lived. Output will level off when the employee feels he/she is justified in receiving the monetary incentive (Peskin, 127). To prolong the motivational benefits of salary increases, monetary incentives should be given in increments. When using an economic value added approach, for instance, increases in the two components of salary should be announced at separate times (Jeffords, Scheidt, & Thibadoux).

Constructive Performance Evaluations

A recent survey of Big Five accountants cited "timely, constructive performance evaluations" as a change most desired by staff (Hermanson, et al, 41). Most workers have a strong desire to learn how well they perform at their jobs. Feedback is itself a motivating force because most professionals will improve aspects of their performance that they are told need correction in order to maintain their self esteem. Employee self esteem and therefore job satisfaction is also increased when employees are told they are performing well. As such, managers should be able to competently give frequent performance feedback to employees.

Feedback, which is usually provided through formal performance evaluations often fails as a management tool. The evaluations fail primarily because they frequently cover extended time periods (Discenza & Gardner, 37). Effective feedback must be timely, specific, and considerate. Managers should tell staff accountants what they have done well and poorly as soon as possible in a constructive, positive fashion. Feedback should be given daily, or at least weekly.

Failure to be honest is the greatest disservice a manager can give. Managers frequently long to be the "nice guy" and avoid bringing weaknesses to an employee's attention. As a result, the employee is led to believe he/she is performing well and fails to correct the problem. The employee does not later understand why he/she is passed up for a promotion or doesn't receive a raise, and may leave the firm disgruntled and confused (Goldstein, 16).

Criticism does not have to be confrontational. Managers should avoid destructive criticism that is vague, negative, and given when they are angry. Criticism should always be given in private, never in front of other employees. Destructive criticism makes employees angry, tense, and more likely to quit (Half, 37).

In an effort to both remove any hostility and gain a better understanding of the employee's needs, Big Five firms should consider using a technique know as 360-degree reviews. This process allows the employee an opportunity to give the manager feedback on his/her leadership as well as the assignments he/she has received. Encouraging staff to call problems and grievances to management's attention, prevents frustration and anger which breeds discontent (Half, 37).

A Paradigm Shift: The End of the Up or Out Philosophy

The Big Five accounting firms are notorious for pressuring their employees to either move up the firm's ladder or find other employment. This "up or out" philosophy has led many valuable employees to leave the firm prematurely. Former Price Waterhouse Chairman James Shiro said, "the up or out career track followed by most large professional service firms has been a serious barrier to achieving . . . flexibility. By removing the focus on tenure and emphasizing the development and achievement of skill sets, individuals can progress at their own pace" (Hooks, 52).

This mentality has been adopted in the Tax Compliance practice at Ernst & Young. The typical Hershel scale (consisting of Staff One, Staff Two, Senior, Manager, Senior Manager, and Partner) has been replaced by a three tier system which consists of staff, manager, and partner. This approach utilizes the broadbanding approach by providing different levels of salaries and responsibilities within each rank. However, the differences are not outwardly visible. This approach allows a person who does not wish to sacrifice family time to remain at a staff position indefinitely without any loss of face. The aim of the structure is to de-emphasize rank and place attention on retention.

Echoing support for the new mentality, Arthur Andersen chairman Lawrence Weinbach said, "the new paradigm includes innovative career development models, compensation structures and opportunities for professionals to have long-term careers with our firm without necessarily becoming equity owners" (Hooks, 52).

Exit Interviews

Despite efforts of the large accounting firms to improve retention, it is inevitable that some employees will choose to leave their positions. The Big Five accounting firms traditionally use exit interviews with these employees with the hope of obtaining useful information on factors influencing voluntary turnover. The exit interview, however, is one of the most controversial turnover analysis methods used in business [Appendix C]. It is suspected that many companies do not make proper use of this opportunity. Some firms use terminal interviews merely to confirm established prejudgments about employees, policies, or supervisors under question. Sometimes the insights provided by exiting employees are wholly ignored on the assumption that employees exaggerate, cover up bad situations to prevent a bad reference later on, are disloyal and some have an "ax to grind" before leaving (Peskin, 92). When these are the underlying sentiments of management, the exit interview is simply preserved to give the impression of "listening."

The exit interview, when conducted properly, can be a valid means to improving retention. It is recommended that firms assign responsibility for exit interviews to members of the human resources department (Peskin, 93). While some Big Five accounting firms have an employee's supervisor conduct the interview, experts feel an employee who is dissatisfied with the department's operation or the supervisor in particular will be unlikely to discuss these matters with him/her for fear of antagonizing him/her and risking a bad reference in the future. Furthermore, supervisors blamed by exiting employees may not be likely to pass the information along to upper management.

Human resource personnel who conduct exit interviews should be given special training in terminal interviewing and cataloging procedures. This training can help reduce inconsistencies in the evaluation of employee response. The role of the interviewer should be a neutral one. He should neither defend management or attempt to empathize with the complaints of the employee (Peskin, 93). It is helpful to assign a human resources representative to conduct the interviews for a particular department (for instance either tax or audit) for a relatively lengthy period of time. As a result of such an assignment, the interviewer becomes familiar with the existing problems and terminology of the department. The assignment should be changed annually to deepen interviewers' understanding of company wide problems and to prevent them from losing objectivity (Peskin, 93).

Exit interviewers have the task of assuring employees that their responses will not have an adverse effect on future job references. Exiting employees frequently experience conflict between basic loyalty to their supervisor and a desire to comply with the request to give an exit interview. These employees need reassurance that there responses are used to improve the working environment for others. An explanation of how the procedure works is helpful in establishing credibility (Peskin, 95).

After conducting the interview, the exit interviewer is charged with analyzing the interview data. The interviewer must determine the validity of the employee's comments and then work with management to uncover the sources of the problems. The task of interpretation is complicated when the employee does not provide concrete reasons for leaving. The human resource staff should focus on reasons that are not particularly abstract. The interviewer must keep in mind that solutions can not be found for generalizations (Peskin, 101). Some companies have found success by requiring transcripts of exit interviews. The transcripts are circulated to supervisors with the request that they comment on the exiting employee's remark.

Those who feel exit interviews are not always effective, suggest interviewing current employees in departments where turnover is historically high (Gardner, 45). They recommend asking employees questions like:

- What is there about this job that might cause employees to leave?
- A number of employees have left here recently. As you understand it, why did they leave?
- How do you feel about your job and working here?

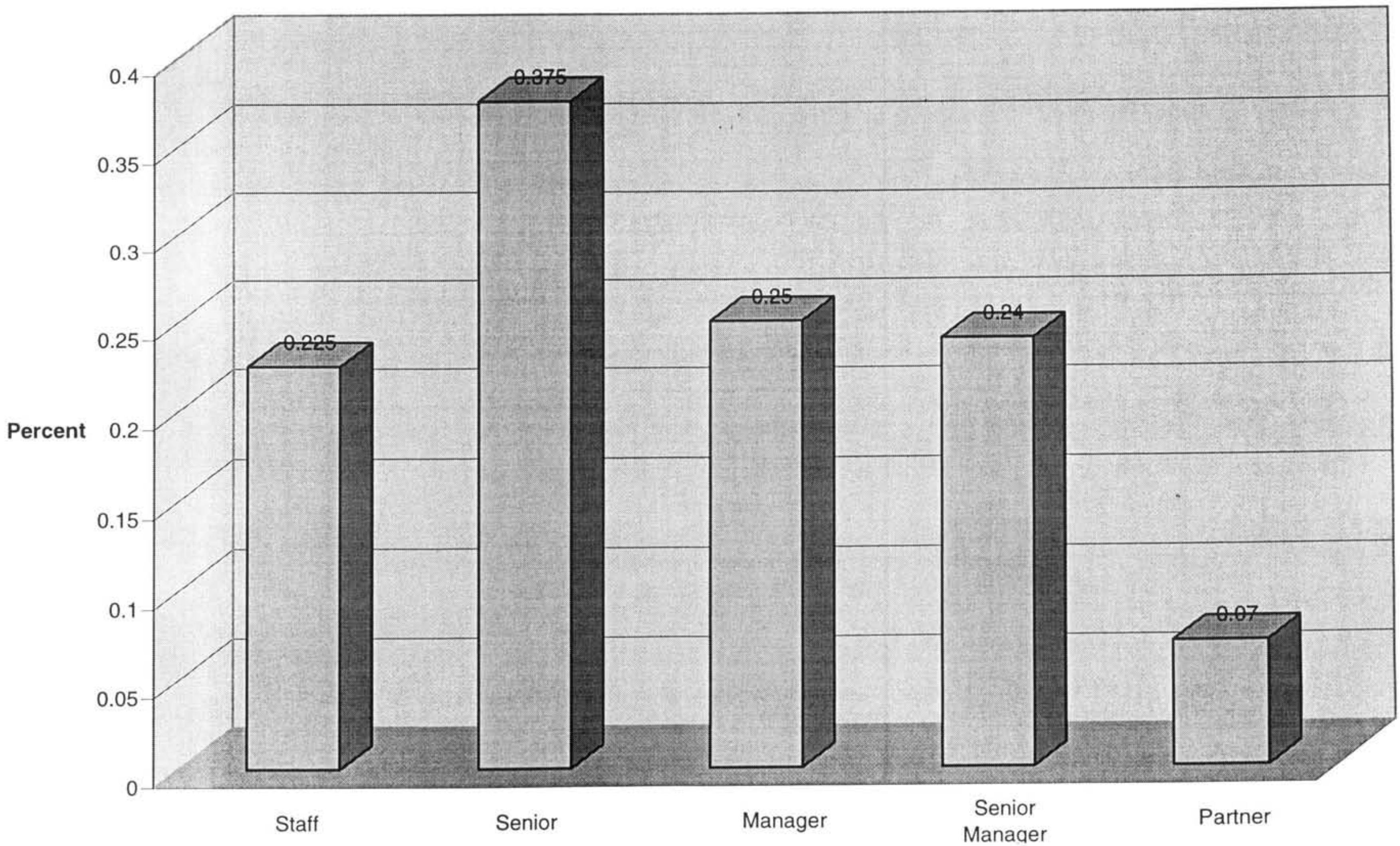
This proactive approach can be very effective when coupled with properly conducted exit interviews.

Conclusion

The Big Five accounting firms are faced with a workforce which has new demands and expectations. In this writer's opinion, the desire to maximize profit will continue to drive the accounting industry's leaders to make the changes which are needed to improve retention. It is this belief, in fact, which has led this writer to pursue a career with a Big Five firm. This writer feels that the ongoing changes in Big Five human resources policy, will allow her to have a challenging career as well as a balanced life. By implementing programs which improve work/life balance and provide more meaningful work, the Big Five firms can expect to retain a better qualified workforce.

Appendix A

Average Annual Turnover



Hooks, Karen L. and Shirley J. Cheramy. "Facts and Myths About Women CPAs." *Journal of Accountancy. October 1994.*

Changes Most Desired by Big Five Staff Members

	Average Importance rating by staff
Changes most desired by staff	
Engagements properly staffed	4.38
Realistic time budgets and deadlines	4.35
Enhanced professional training	4.23
Greater variety of assignments	4.22
Greater use of microcomputer	4.13
"Big Picture" explained to staff	4.06
Timely, constructive performance evaluations	4.06
Increased communication with partners	4.00
Alternative work arrangements	3.99
Staff select client portfolio	3.94
Return home each weekend	3.94
Upward performance evaluations	3.93
Changes moderately desired by staff	
Increased personal recognition	3.79
10%-15% salary increase	3.77
More contact with superiors	3.73
More even workload throughout year	3.65
Eliminate lock-step pay and promotion	3.62
Schedule set far in advance	3.60
Increased reward for communication skills	3.49
Increased reward for accounting knowledge	3.36
CPA exam study time	3.35
De-emphasize class structure	3.32
Strictly cap hours	3.30
De-emphasize profits and "low-balling"	3.24
Hire paraprofessionals	3.22
Changes least desired by staff	
Stress management course	3.10
Limit personal liability of partners	3.09
Reduce out-of-town travel	3.03
Child-care assistance	3.02
Reduced time to promotion	2.95
Know "quitting time" each day	2.88
Advanced placement for master's degree	2.29

The response scale ranges from 1 (not important) to 5 (very important).

Hermanson, Roger H., et. al. "Better Environment, Better Staff." *Journal of Accountancy*. April 1995.

The Advantages and Disadvantages of Exit Interviews

The advantages:

- Immediate feedback on causes of turnover.
- The opportunity to persuade employees to remain.
- Data that can direct management to solving problems causing turnover.
- A means of tracking management's progress by monitoring the frequency of reasons for termination.
- A human touch that indicates the firm's interest in the individual.

The disadvantages:

- Terminating employees may be emotional and thus distort their reasons for leaving.
- Exit interviews are verbal and therefore difficult to quantitatively measure beyond broad typical categories.
- The data may be affected by interviewers.
- Many employees who leave the firm do not confide in the interviewer because they are not convinced their remarks will be held in confidence and will not adversely affect a future reference.
- Managers tend to distrust and thus discount statements made during exit interviews.

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